

Memorandum

*Flex your power!
Be energy efficient!*

To: JANE PEREZ, ACTING DIVISION CHIEF
Division of Mass Transportation

Date: May 28, 2010

From: GERALD A. LONG
Deputy Director
Audits and Investigations

ORIGINAL SIGNED BY:

File: P3000-0387

Subject: Final Program Evaluation Report of the Division of Mass Transportation

Attached is Audits and Investigations' final program evaluation report of the Division of Mass Transportation. Your response has been included as part of our final report.

Please provide our office with status reports on the implementation of your audit finding dispositions 60, 180, and 360 days subsequent to the report date. If all findings have not been corrected within 360 days, please continue to provide status reports every 180 days until the audit findings are fully resolved.

We thank you and your staff for their assistance provided during this evaluation. If you have any questions or need additional information, please call Laurine Bohamera, Chief, Internal Audits, at (916) 323-7107, or me at (916) 323-7122.

Attachments

c: Cindy McKim, Director
Laurine Bohamera, Chief, Internal Audits, Audits and Investigations

P3000-0387

**Program Evaluation
of the
Division of Mass Transportation**

May 2010

**Gerald A. Long
Deputy Director
Audits and Investigations
California Department of Transportation**

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Summary

Audits and Investigations has completed the program evaluation of the California Department of Transportation (Department), Division of Mass Transportation (DMT). The purpose of our program review was to evaluate DMT's internal controls to determine whether policies, procedures, and processes are in place to achieve the program's responsibilities.

Our review disclosed that the Department's established policies and internal controls with respect to the DMT, in particular the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) program, are generally adequate, except we identified the following issues:

- PTMISEA Program Controls Need Strengthening
- Lack of Purchasing Delegation Authority
- Federal Program Weaknesses
- State Transit Program Weaknesses
- Compliance with Conflict of Interest Directive Not Documented

Background

The DMT is responsible for administering State and federal grant programs. These programs fund mass transportation operations and capital improvement projects. In addition, the DMT provides technical assistance to local agencies providing public transportation via buses, commuter rail, and ferries. The DMT is comprised of two offices: State Policy, Research, and Capital, and Federal Transit Grant.

DMT's stated objectives are to:

- Encourage and stimulate the development of mass transportation and interregional transportation in order to make transit a more practical travel option.
- Improve and promote the transit component, including urban and commuter rail, of an integrated multimodal transportation system.
- Efficiently and effectively carry out the Department's mass transportation fiduciary responsibility in the grant programs.
- Lead and support transit research to improve transit productivity to enhance mobility options.

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B in November 2006, included \$4 billion for the PTMISEA program. Of the \$4 billion approved, \$3.6 billion is to be used for transit rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or rolling stock (buses and rail cars) procurement, rehabilitation, or replacement. Funds in this account are appropriated annually by the Legislature to the State Controller's Office

(SCO) for allocation in accordance with Public Utilities Code formula distributions: 50% allocated to local operators based on fare-box revenue and 50% to regional entities based on population.

In 2007, the Legislature enacted implementing legislation, Senate Bill (SB) 88, that designated the Department as the administrative agency responsible for programming the PTMISEA funds and the agency authorized to adopt guidelines for the Program. The Legislature appropriated \$600 million to the Program in fiscal year 2008. In fiscal year 2009, the Legislature extended the provisions in SB 88 for another year, and appropriated \$350 million. The 2010 Governor's Budget included \$350 million for PTMISEA.

The DMT established a new unit within the State Grants Office specifically to manage the PTMISEA projects. At the time of our fieldwork, guidelines had been established and the first year's funding cycle had been completed. However, prior to the completion of fieldwork, Proposition 1B funds were frozen due to the current statewide budget crisis. As a result, all the PTMISEA projects were placed on hold until funds become available again. The PTMISEA unit was the primary focus of this evaluation.

Office of State Policy, Research, and Capital

This office is responsible for administering and monitoring State grant programs including the PTMISEA program. The office provides ongoing technical assistance and support to public transportation agencies, develops and maintains interagency partnerships, informs and educates the public on mass transportation, and assesses the public's mass transportation needs. Each State program is a separate branch. There are approximately 25 staff in Sacramento and another 50-60 statewide in district offices.

Office of Federal Transit Grant

This office is responsible for administering and monitoring funding assistance for transit for the elderly, persons with disabilities, and rural areas. The office provides financial and management assistance statewide to both local agencies and non-profit organizations. The office works towards increased availability, efficiency, and effectiveness of transit. This office consists of 26 staff headquartered in Sacramento.

Scope, Methodology and Objectives

Our review was performed in accordance with the International Standards for the Professional Practice of Internal Auditing. The scope of our evaluation focused on internal controls and procedural compliance as they relate to the DMT's functions. Our methodology consisted of interviewing office chiefs and staff, including staff in two districts; reviewing Web sites and organizational charts; examining policy and procedure manuals; testing headquarters project files for compliance with established policies and

procedures; and performing other analytical procedures and tests as we considered necessary to achieve the review objectives.

The objectives of the review, with particular emphasis on Proposition 1B requirements, were to:

- Determine if the DMT has clearly defined roles and responsibilities.
- Determine if there is an effective and efficient organizational structure to carry out the program responsibilities.
- Assess compliance with applicable policies and procedures.
- Determine whether the DMT has policies, procedures, and processes in place to ensure:
 - Achievement of roles and responsibilities.
 - Effective control and accountability for funds received and spent.
 - Funds are accurately reported in accordance with applicable guidelines.
 - Adequate project monitoring.
 - Timely delivered projects.
- Evaluate the process of reporting project status for timeliness, completeness, accuracy, and compliance with milestones and other performance measures.
- Determine how the DMT manages risk in quality, scope, schedule, and cost in order to attain successful project completion.

Conclusion

Our review disclosed that the Department's established policies and internal controls with respect to the DMT, and in particular the PTMISEA program, are generally adequate, except we identified the following issues:

- PTMISEA Program Controls Need Strengthening
- Lack of Purchasing Delegation Authority
- Federal Program Weaknesses
- State Transit Program Weaknesses
- Compliance with Conflict of Interest Directive Not Documented

Views of Responsible Officials

We requested and received a response from the Chief of the Division of Mass Transportation. The program, in general, acknowledged our findings and recommendations. Please see the Attachment for the complete response.

ORIGINAL SIGNED BY:

GERALD A. LONG
Deputy Director
Audits and Investigations

July 2, 2009
(Last Day of Audit Field Work)

FINDINGS AND RECOMMENDATIONS

**Finding 1 -
Public
Transportation
Modernization,
Improvement, and
Service
Enhancement
Account Program
Controls Need
Strengthening**

Our review of the Public Transportation Modernization, Improvement, and Service Enhancement Account program (PTMISEA) identified that internal controls need to be strengthened in the areas of standard agreements and project file maintenance, to assure responsibilities are defined and project files contain consistent information to prevent unallowable or unsupported costs.

Background

The California Department of Transportation (Department) is the administrative agency for PTMISEA. These funds are allocated to transit agencies, Regional Transportation Planning Agencies, and Metropolitan Planning Organizations to modernize, improve, and/or enhance public transportation projects. The Department's Division of Mass Transportation (DMT) is accountable for the PTMISEA funds received by these agencies. As such, the DMT developed PTMISEA guidelines to be followed by all recipients. Funds are distributed to agencies through the State Controller's Office based upon the State Transit Assistance Fund ratios in accordance with Public Utilities Code 99313 and 99314.

Issue

Our review revealed that PTMISEA guidelines do not require signed standard agreements between the recipients and the Department. Standard agreements that contain fiscal provisions can provide reasonable assurance that PTMISEA funds will be spent for authorized purposes only. Agreements define the general terms and conditions that must be met by agencies which receive funds. They generally include fiscal provisions that obligate recipients to maintain an adequate project cost accounting system and good internal controls, incur allowable project costs, and submit quarterly progress reports. Absent a standard agreement, a certification by the recipient would increase the recipients' accountability for funds received. Without a standard agreement or certification, recipients are not required to incur project costs in accordance with any administrative or cost principles. In the absence of agreements or certification, the Department is at risk of funding unallowable or unsupported costs, which may adversely affect the Department's ability to fulfill its responsibilities as the administering agency.

In addition, although the program has developed a project checklist and maintains individual project files that contain monitoring information and related documentation, we noted areas where the project checklist and files

**Finding 1
(Continued)**

could be improved and/or updated with additional user information. Specifically, the checklist and/or files did not include the following:

- Agency name
- Date and signature verifications by staff when verifying checklist items
- Proposed beginning and ending date of project
- Names of additional contributing agencies (if applicable)
- Project category and useful life
- Diary or log sheet, which documents significant events, conversations, and correspondence
- A cross-reference from the transit development plans to the checklist to readily identify plan information

The State Administrative Manual (SAM) 20050 requires the Department to maintain good internal controls. Good internal controls include, but are not limited to, the following:

- Established lines of clearly stated organizational authority and responsibility
- A system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures
- An effective system of internal review

The PTMISEA program and its staff are new, and the established guidelines, procedures, and checklists are constantly evolving based on legislative requirements, new information, and lessons learned. PTMISEA employees are in two-year limited-term positions, so staff will continue to change regularly. Therefore, it is imperative that the guidelines and project files contain key elements of good internal controls, and the files provide a clear and concise audit trail to assist new staff in project oversight. In addition, tracking costs and other project data may be facilitated by updating the existing file requirements. This may be particularly beneficial to new staff.

Recommendation

We recommend DMT:

- Obtain certification from PTMISEA recipients. The certification should include fiscal and administrative principles requiring recipients to maintain adequate project cost accounting systems, to incur allowable and supported costs, and to submit semi-annual progress reports.
- Revise and update the existing PTMISEA checklist to include additional pertinent information such as:
 - Agency name
 - Date and signature verifications by staff when verifying checklist items
 - Proposed beginning and ending date of project

Recommendation (Continued)	<ul style="list-style-type: none"> ○ Names of additional contributing agencies (if applicable) ○ Project category and useful life ● Include a diary/log sheet within the PTMISEA project files. ● Cross-reference transit plans to the checklist and/or relevant attachment(s).
DMT Response	DMT concurs with the findings and recommendations and has proposed a number of corrective actions to address the finding.
Auditor's Comment	The corrective actions appear adequate to address the finding. In addition, the DMT proposes to update and expand the existing PTMISEA Desk Manual.
Finding 2 - Lack of Purchasing Delegation Authority	<p>The DMT has not maintained updated delegation authority from DPAC and/or the Department of General Services (DGS) to execute standard agreements with recipients of State and federal funds administered through their programs to ensure appropriate project implementation. Currently, DPAC maintains purchasing delegation authority from DGS. However, DMT staff have been executing (signing) agreements, both State and federally funded, with local agencies and non-profit organizations on behalf of the Department. As a result, DMT's agreements may not be executed in accordance with current State rules and regulations.</p> <p>SAM Section 1208, 1 (a) Authorization of Agreements, states that authority to sign purchase documents is limited to those executive officers who either have statutory authority or have been duly authorized in writing by one who has statutory authority. Additionally, SAM Section 1215 states that the law requires all contracts to be approved by DGS unless exempted or there is a delegation to an agency.</p> <p>Given that DMT has not maintained delegation authority from DPAC, they are not in compliance with SAM Sections 1208 and 1215. Staff believed that attendance at a DPAC-sponsored Contract Management Overview class allowed them to execute contracts on behalf of the Department.</p>
Recommendation	We recommend DMT ensure all agreements are reviewed and approved by DPAC to comply with SAM Sections 1208 and 1215 or maintain delegation authority from DPAC, enabling them to execute agreements on the Department's behalf.
DMT Response	DMT agrees with the finding and recommendation and will develop a standard process to ensure proper documentation of delegation authority is obtained and retained in office files.

**Auditor's
Comment**

Prior to the completion of field work, the DMT received and is retaining proper delegation authority from DPAC.

**Finding 3 -
Federal Program
Weaknesses**

Our review of project files, specialized agreements, and relevant procedure manuals found improper provisions in standard agreements, inconsistent reporting requirements, and a lack of guidance related to project file maintenance. These conditions may result in improper billing, noncompliance with federal reporting requirements, inconsistent project file maintenance, and information not being readily available for internal and external customers.

Background

DMT's Federal Grants Program is responsible for the administration of the following Federal Transit Administration (FTA) grant programs:

- 5310 - Elderly and Disabled Specialized Transit (Specialized Transit)
- 5311 - Rural Transit & Procurement (RTAP)
- 5316 - Job Access & Reverse Commute (JARC)
- 5317 - New Freedom

These federal grants provide funds to agencies for operating assistance and capital improvement projects. Grant funding is provided to recipients through standard agreements with the Department.

DMT maintains standard agreements with recipients, both local agencies and non-profit organizations, to ensure appropriate project implementation. Standard agreements contain necessary fiscal provisions that safeguard the Department. Fiscal provisions include, but are not limited to, a performance period, method of payment, record retention, and administrative and cost principles. Many standard agreements also include a provision for quarterly progress reporting. Quarterly progress reports allow recipients to update the Department on the status of federally funded projects. Executed agreements and other pertinent monitoring information are kept in files to assist DMT in project oversight.

Project files may include, but are not limited to:

- Executed agreements
- Agency and contractor invoices
- Diary logs
- Quarterly progress reports
- Balance ledgers (tracking project expenditures and fund balance)

**Finding 3
(Continued)**

Issue

We reviewed project files, executed agreements, and relevant procedure manuals for the Specialized Transit, RTAP, JARC, and New Freedom programs. We noted the following weaknesses:

- The RTAP and New Freedom agreements contain the contract cost principles of Title 48 Code of Federal Regulations (CFR) Part 31. These principles are applicable to contracts with commercial organizations. The cost principles for local and/or non-profit agencies were not included within the agreements.
- A quarterly reporting provision was not included in all required federal program agreements. Quarterly reporting is not a requirement of the RTAP program; however, it would be considered a best practice.
- Inconsistent project file maintenance.
- Existing policy and procedure manuals do not expressly address project file maintenance.

Cost principles for local agencies and non-profit organizations are found within 2 CFR Parts 225 and 230, respectively. Quarterly reporting is a requirement of FTA Sections 5310, 5316, and 5317.

In addition, SAM Section 20050 requires that the Department maintain good internal controls, including, but not limited to:

- Financial and operational reporting on a regular and timely basis.
- A system of authorization and record-keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.
- Procedures to assure that controls in all areas of operation are evaluated on a reasonable and timely basis.

We found that DMT staff preparing and reviewing standard agreements were unfamiliar with established cost principles for commercial organizations, local agencies, and non-profit organizations. The staff's improper application of cost principles can lead to improper billing. For example, the use of commercial cost principles instead of cost principles for local and non-profit entities may result in over-reimbursement of costs as the commercial cost principles are less restrictive.

We also found that quarterly reports were not consistently monitored by DMT staff because alternate methods of reporting were obtained. Quarterly reports are a good internal control tool to assist the Department in monitoring and managing projects. Additionally, if the reports are not obtained as federally mandated, the Department is not complying with FTA requirements.

**Finding 3
(Continued)**

Although DMT staff receive phone calls, e-mails, and attend meetings, not requiring quarterly reports may jeopardize future FTA funding.

Without clearly documented project file maintenance procedures, federal project files differ by programs. If necessary project information is not readily available, additional time and effort may be spent obtaining project data for departmental management, external control agencies', and stakeholders' needs.

Recommendation

We recommend DMT:

- Include local and/or non-profit agency cost principles of Title 2 CFR Parts 225 and 230, as applicable.
- Include quarterly reporting requirement in all required federal agreements.
- Ensure required recipients submit quarterly reports that are complete and on time.
- Develop procedures to ensure project files contain the necessary monitoring information needed to help manage projects, including, but not limited to, the following:
 - Executed standard agreements
 - Diary Logs – including names and dates of person(s) contacted, by whom, and discussion
 - Quarterly Progress Reports from recipients
 - Invoice(s) – copies that have been reviewed for accuracy and allowable costs
 - Balance Ledger - identifying grant funds, expenditures, and remaining balance

DMT Response

DMT concurs with the findings and recommendations and has proposed a number of corrective actions to address the findings.

**Auditor's
Comment**

In addition to our findings, DMT also identified the need to revise the existing Section 5311 Handbook and the State Management Plans for the Section 5316 and 5317 programs.

**Finding 4 -
State Transit
Program
Weaknesses**

Our review of DMT's State Transit Program identified outdated policy and procedure manuals, outdated information on the Web site, and the lack of a transit database. As a result, guidance for carrying out current program responsibilities may be outdated and difficult to locate, and access to project information may become cumbersome and time consuming.

**Finding 4
(Continued)**

The State Grants Office is responsible for administering and monitoring State grant programs, including the Transportation Development Act and PTMISEA programs. Specifically, we found the following weaknesses:

- Outdated policy and procedure manuals. Portions of the manuals have not been updated to reflect current programs and staff. Specifically, the manuals do not include PTMISEA program information, and organizational charts and contact lists identifying staff who are no longer with the program.
- No Transit Database. DMT's organizational chart indicates the State transit branch is responsible for developing, implementing, and maintaining a transit database. However, a transit database identifying all DMT contracts/agreements has not been developed.
- Limitations in Web site. The State Transit Program's Web site contains basic, useful program information. However, we found contact information difficult to locate and site information confusing. Specifically, the contact names provided did not readily correspond to the program listing on the home page; which made it difficult to contact the appropriate staff.

SAM Section 20050, Internal Controls, identifies elements of good internal controls, including, but not limited to the following:

- Policy and procedural or operational manuals that establish a system of practices to be followed in performance of duties and functions.
- A system of record keeping adequate to provide effective control over assets, liabilities, revenues, and expenditures.
- Clearly articulated lines of organizational authority and responsibility.

Each DMT branch maintains policy and procedure manuals applicable to its programs. Policy and procedure manuals provide direction for project management, by establishing guidelines for carrying out program activities, in accordance with State and federal regulations. DMT is accountable for the activities described in the manuals. When policy and procedural manuals are not updated, management of projects is subject to errors and inconsistencies. The current staff workloads have not allowed sufficient time for manual updates.

Neither has staff had time to develop and implement, nor to maintain a transit database. The current DMT organizational chart shows the State transit branch is responsible for a transit database. A transit database would provide management easy access to pertinent information of all transit funds, including agency history, funding amounts, expenditures, and contract specifics. At present, each branch chief maintains transit information on individual excel spreadsheets, making management's requests for project

**Finding 4
(Continued)**

information cumbersome and time consuming.

Searching for information on DMT's Web site is also time consuming. DMT maintains intra- and internet Web sites to provide users with important program information. The Web sites should be user friendly and provide easily accessible, clear, accurate, and relevant information. However, we found contact information difficult to locate and site information confusing. DMT was unaware of the Web sites' weakness that may create difficulties for users, and have a negative impact on the public's perception of DMT and the Department.

Recommendation

We recommend DMT:

- Update existing manuals to account for recent changes in programs and staffing.
- Develop, implement, and maintain a transit database.
- Update and/or revise the existing Web sites to provide easily accessible detailed information regarding the State programs and the appropriate contact persons.

DMT Response

DMT concurs with the findings and recommendations and has proposed a number of corrective actions to address the findings.

**Finding 5 –
Compliance with
Conflict of Interest
Directive Not
Documented**

DMT did not document compliance with the Department's directive on incompatible activities and conflict of interest to ensure that employees had been notified of their responsibilities relative to these areas. As a result, there is the risk employees are not aware of and could be performing activities that are considered incompatible or a conflict of interest.

Staff in headquarters and in the districts may be responsible for assisting in preparing procurement documents (scoring grant applications), and are responsible for reviewing and approving invoices for reimbursement of State and federal funds. DMT was unaware that there was a form to complete, which would document compliance with the Department's directive on conflict of interest. Failure to have employees read and sign the Conflict of Interest Statement Certification, ADM-3043, may result in staff not obtaining a good understanding of conflicts of interest with their duties involving approving procurement documents and/or approving payment. In addition, form ADM-3043 provides management documentation that conflict of interest policies were acknowledged.

Deputy Directive 09-R3, Incompatible Activities and Conflict of Interest, cites the policy that Department employees do not willfully engage in any employment of activities that are, or give the appearance of, being incompatible or in conflict with their duties as State employees, or that have

**Finding 5
(Continued)**

an adverse effect on the confidence of the public in the integrity of government. Specifically, managers and supervisors are responsible to ensure that their subordinates are informed of and comply with Department policy, State and federal law, regulations, and policies regarding conflict of interest and incompatible activities.

Conflict of Interest Statement Certification, ADM-3043, states that staff involved in soliciting bids, preparing procurement documentation, approving procurement documents, receiving goods/services, approving payment, and/or making the payment are required to maintain this signed Conflict of Interest Certification on file for review.

DMT Response

DMT concurs with the findings and recommendation and applicable headquarters staff have completed form ADM-3043.

Recommendation

We recommend DMT maintain completed Conflict of Interest Statement Certification forms on file for all employees involved in any aspect of the procurement process, specifically approving payment.

Audit Team

Laurine Bohamera, Chief, Internal Audits
Paula Rivera, Audit Supervisor
Teresa Muñoz Draeger, Auditor
Chantha Da, Auditor

ATTACHMENT

DIVISION OF MASS TRANSPORTATION'S RESPONSE TO THE DRAFT REPORT

WORK PLAN – Audit Finding #1
Public Transportation Modernization, Improvement, and Service Enhancement Account
(PTMISEA) Program Controls Need Strengthening

	FINDINGS	ACTIONS	PERIOD	RESPONSIBLE PERSON
1.	Develop Financial Certification for PTMISEA recipients.	Identify necessary administrative and cost principles agencies must adhere to receive PTMISEA funds. 1) Review law 2) Review current Master Agreement and Program Supplement language for State funding 3) Review State Administrative Manual	30 days	Joan Musillani
		Draft Certification language	2 months	Joan Musillani
		Hold a Stakeholder meeting to discuss the audit findings (reason for certification) and draft certification	3 months	Joan Musillani
		Comment period from the stakeholders	4 months	Joan Musillani
		DPAC reviews draft	5 months	Joan Musillani
		Legal reviews draft	5 months	Joan Musillani
		Finalize certification	6 months	Joan Musillani
		Distribute blank certification to PTMISEA sponsors to complete and return to DMT	7 months	Joan Musillani
		Amend PTMISEA Guidelines, Allocation Request, project checklist, DMT website and other relevant areas to reflect the new Certification requirement.	7 months	Joan Musillani

2.	Revise and update the PTMISEA project checklist.	Revise and update the PTMISEA project checklist.	Completed	Joan Musillani
		Ensure the revised checklist is used for all future PTMISEA projects.	2 months	Joan Musillani
3.	Include a diary/log sheet within the PTMISEA Project files.	Create a diary/log form to include in each PTMISEA Project file.	Completed	Joan Musillani
		Ensure the revised checklist is used for all future PTMISEA projects.	2 months	Joan Musillani
4.	Cross-reference transit plans to the checklist and or relevant attachment(s).	Revise and update the PTMISEA project checklist to include the review of transit plans and attachments.	Completed	Joan Musillani
		Ensure the complete review of all Allocation Requests for PTMISEA funds.	2 months	Joan Musillani
5.	Update and expand the PTMISEA unit Desk Manual.	Interview unit staff and review current procedures to identify areas where the existing desk manual needs to be updated.	3 months	Wendy King
		Develop new sections and chapters to correspond to the requirements from AB 1072 signed October 2009, including instructions for the new PTMISEA database under development, and instructions for correct project file maintenance.	4 months	Wendy King
		PTMISEA unit staff review and comment on revised Desk Manual.	6 months	Joan Musillani
		Finalize PTMISEA Desk Manual and distribute to unit staff	8 months	Wendy King

WORK PLAN – Audit Finding #2
Lack of Purchasing Delegation Authority

	FINDINGS	ACTIONS	PERIOD	RESPONSIBLE PERSON
1.	Ensure all agreements are reviewed and approved by DPAC or maintain delegation authority from DPAC enabling them to execute agreements on the Department's behalf.	Developing standard process and will ensure documentation of delegation authority is on file for all contracts.	In Progress	Kimberly Gayle & Susan Harrington

WORK PLAN – Audit Finding #3 Federal Program Weaknesses

	FINDINGS	ACTIONS	PERIOD	RESPONSIBLE PERSON
1.	<p>Improper provisions in standard agreements.</p> <ul style="list-style-type: none"> Cost principles for local and/or non-profit agencies were not included within the agreements. A quarterly reporting provision was not included in all required federal program agreements. 5310, 5311, 5316, and 5317 branch staff preparing and reviewing standard agreements were unfamiliar with established cost principles for commercial organizations, local agencies, and non-profit organizations. 	<p>We will review regulations and other guidance such as OMB A-87, FTA C.5010.1D, FTA C. 4220.1C, including Title 2 CFR Parts 225 and 230, as applicable and include them in a revised standard agreement. We will ensure that all agreements are reviewed and approved by DPAC to comply with SAM Section 1208 and 1215 or maintain delegation authority from DPAC, enabling them to execute agreements on the Department's behalf.</p> <p>Quarterly reporting is not a requirement for the Section 5311 program, however, it is recommended. Currently quarterly reporting is required under our agreements with the Districts and the Intercity Bus (5311f) Discretionary Program, (as program policy) we will extend this requirement to the regular 5311 - formula program, in doing so, revise the standard agreement a provision. Update State Management Plan (SMP).</p> <p>We will review regulations and other guidance such as OMB A-87, FTA C.5010.1D, FTA C. 4220.1C, including Title 2 CFR Parts 225 and 230, and provide training, as applicable and attend FTA training.</p>	<p>30 – 60 days</p> <p>3-6 months</p> <p>3-6 months</p>	<p>Cindy Chaverini, James Ogbonna, & Helen Louie</p> <p>James Ogbonna</p> <p>Cindy Chaverini, James Ogbonna, & Helen Louie</p>

2.	Inconsistent reporting requirements.	We will review regulations and other guidance and provide training, as applicable. We will include quarterly reporting requirement in all required federal agreements to standardized reporting.	3-6 months	Cindy Chaverini, James Ogbonna, & Helen Louie
3.	Existing policy and procedure manuals do not expressly address project file maintenance.	We will develop a written policy and project filing procedures that will address how to properly file and maintain each project folders. Project folders will be labeled according to districts and grant numbers. Each folder will contain specific location of files i.e. contracts, reimbursements request, memos, etc. Existing section 5311 retention manual will be revised to address project file maintenance policy and procedures.	2-3 months	James Ogbonna
		Section 5316 & 5317 currently does not have a file retention plan. A plan will be developed for the next State Management Plan.	6-12 months	Helen Louie
4.	Quarterly reports were not consistently monitored by 5311 branch staff because alternate methods of reporting were obtained.	<p>We will develop procedures to ensure project files contain the necessary monitoring information needed to help manage projects, including, but not limited to, the following:</p> <ul style="list-style-type: none"> - Executed standard agreements - Diary logs – including names and dates of person(s) contacted by staff and discussion. - Quarterly Progress Reports from subrecipients. - Invoices – copies that have been reviewed for accuracy and allowable costs. <p>Regarding a Balance Ledger and best practices, we suggest using a qualified accounting program (i.e. quicken, peach tree, etc), rather than rely on an Excel (or several) spreadsheet(s).</p>	6-12 months	Cindy Chaverini, James Ogbonna, & Helen Louie
5.	Project information is not readily available	Current files will be placed in a central location and a database will be developed that will contain all active projects.	6-18 months	Cindy Chaverini, James Ogbonna, & Helen Louie
6.	Program efficiency better management	While not a direct finding, the section 5311 program needs to revise its current Handbook and Guidance. Volume currently used is dated 2002. Best practices may suggest the use of annual program guidance – supplements (rather than one large stand alone volume). A supplement is currently used for the Intercity Bus 5311(f) Program. Employing this to the regular 5311 formula program could be done in a short and timely manner.	3-9 months	James Ogbonna

		While not a direct finding, the section 5316 & 5317 programs need to revise their current State Management Plan. The volume currently used is dated 2008.	6-12 months	Helen Louie
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WORK PLAN – Audit Finding #4 State Transit Program Weaknesses

	FINDINGS	ACTIONS	PERIOD	RESPONSIBLE PERSON
1.	Update existing manuals to account for recent changes in programs and staffing	Update and write new sections for the Transit Funding Manual Publish Transit Funding Manual and post to DMT website.	2 months 5 months	Brian Travis Brian Travis
2.	Develop, implement and maintain a transit database. . .	Write IT concept report for the creation of a DMT Database. Develop PTMISEA project database in Microsoft Access Complete Feasibility Study Report for the DMT Database Form DMT task team to 1) Identify the data needs to be captured: (i.e. agency contact information, individual projects information, funding sources and levels, transit performance data, and more). 2) Identify reports and queries needs to be run and what	Completed 2 months 4 months 5 months 11 months	Wendy King Wendy King Wendy King Wendy King Wendy King

		<p>desired format.</p> <p>3) Additional database needs.</p> <p>FSR is approved, DMT hires consultant to build the division database</p> <p>Subtask Action #6: Consultant builds database with input from the DMT task team</p> <p>Consultant develops a database user guide.</p> <p>Consultant presents the final product to staff and conducts training on how to use the system.</p>	<p>15 months – 20 months</p> <p>21 months</p> <p>23 months</p>	<p>Wendy King</p> <p>Wendy King</p> <p>Wendy King</p>
3.	Update and/or revise the existing Websites.	<p>Review and update State Transit Programs website information.</p> <p>Monitor State Transit Programs website to ensure continuous quality assurance.</p>	<p>Completed</p> <p>6 months</p>	<p>Brian Travis</p> <p>Brian Travis</p>

WORK PLAN – Audit Finding #5
Compliance with Conflict of Interest Directive Not Documented

	FINDINGS	ACTIONS	PERIOD	RESPONSIBLE PERSON
1.	Maintain completed Conflict of Interest Statement Certification forms on file for all employees involved in any aspect of the procurement process.	HQ staff has completed the form ADM-3043 and forms are on file. The Districts were also notified and will have theirs on file as well. Will confirm and provide status.	3 – 6 months	Tracey Frost/Nancy Young